

CITY AUDITOR'S OFFICE



AUDIT ALERT STANDARD AUDIT CLAUSE

Report No. CAO AA0001-04

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CITY AUDITOR**

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BACKGROUND

The City of Las Vegas routinely enters into agreements and contracts with individuals, companies, and governmental entities. One function these agreements and contracts accomplish is to protect the City of Las Vegas from loss or other economic harm.

OBJECTIVES

Our objectives included the following:

- ? Determining if an audit clause is routinely present in City agreements, and
- ? Determining if audit clauses included in City agreements are sufficient.

SCOPE AND METHODOLOGY

Our work was performed in accordance with applicable generally accepted governmental auditing standards as defined in Operating Instruction A.50 of the City Auditor's Office Operating Instructions Manual. The scope of the study of internal control was limited to assessing the general controls surrounding the specific issues addressed. General procedures included:

- ? Interviewing personnel, and
- ? Reviewing records and other applicable documentation.

CONCLUSIONS/FINDING/RECOMMENDATION

As a result of work performed, we determined that some contracts did not include an audit clause. Further, when an audit clause was included it was not standardized and was deficient in several areas.

STANDARD AUDIT CLAUSE

Criteria: Good business practice dictates that the City should be protected in contracts and agreements by requiring a comprehensive audit clause to allow oversight of contracted activities.

Condition: The following issues were noted as a result of our work:

- ? Some contracts did not include audit clauses.
- ? An audit clause, when included, was not standardized.

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- ? Noted audit clauses were deficient in one or more of the following areas:
- Requiring maintenance of records in accordance with appropriate accounting principles and procedures,
 - Specifying times for record retention, and
 - Allowing access to inspect and/or audit.

Effect:

- ? The City's interest may not be sufficiently protected. (e.g. loss of money, injuries, customer service, City's reputation, etc.)

Cause:

- ? No policy exists requiring an audit clause.
? Failure to utilize standardized formats for audit clauses in City agreements and contracts.

Recommendation:

We recommend the City Manager's Office issue a policy requiring incorporation of a standardized audit clause in all city agreements. The audit clause should include the elements noted in the 'Right to Review and Audit'. (Attachment I)

Prepared and Approved by:

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